

IN THE UNITED STATES DISTRICT COURT FOR  
THE DISTRICT OF MARYLAND, NORTHERN DIVISION

PAICE LLC, et al.,

\*

Plaintiffs,

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v.

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CIVIL NO.: WDQ-14-00492

THE FORD MOTOR COMPANY,

\*

Defendant.

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\* \* \* \* \*

MEMORANDUM OPINION

Paice LLC ("Paice") and the Abell Foundation, Inc. (collectively, the "Plaintiffs") sued the Ford Motor Company ("Ford") for infringing five of Paice's patents. Pending are Ford's motion to stay and Paice's motion for a preliminary injunction. No hearing is necessary. Local Rule 105.6 (D. Md. 2014). For the following reasons the motion to stay will be granted, and the motion for a preliminary injunction will be denied.

I. Background

A. Facts<sup>1</sup>

Paice<sup>2</sup> and Abell co-own five patents<sup>3</sup> related to hybrid vehicle technologies. ECF No. 65 ¶¶ 11-15, 18. Each patent comes from a family of 12 patents protecting methods of control to maximize vehicle performance, fuel economy, and emissions efficiency (collectively, "methods of control"). *Id.* ¶ 18. Ford makes and sells hybrid vehicles. ECF No. 35-1 at 5. Between 1999 and 2004, Paice and Ford (collectively, "the parties") had over 100 meetings and other communications about hybrid technology developed by Paice. ECF No. 65 ¶¶ 2, 29, 42-95.

On June 1, 2001, Mark Nimphie, Head of Ford Global Technology, asked Paice to perform a comparative study of a Toyota Prius-based Ford Escape hybrid SUV ("Prius-based

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<sup>1</sup> Facts are taken from Paice's amended complaint, ECF No. 65, Ford's motion to stay and reply to Paice's response, ECF Nos. 35-1, 40, the Arbitration Agreement, ECF No. 44-2, Declarations submitted by the parties, ECF Nos. 44-3, 48-1, and correspondence to the Court from the parties, ECF Nos. 60, 70.

<sup>2</sup> Paice was established in 1992 by inventor Dr. Alex J. Severinsky. ECF No. 65 ¶ 5.

<sup>3</sup> Patent numbers 7,237,634 ("the '634 patent"), 7,104,347 ("the '347 patent"), 7,559,388 ("the '388 patent"), 8,214,097 ("the '097 patent"), and 7,455,134 ("the '134 patent") (collectively, "the patents in suit"). ECF No. 65 ¶¶ 11-15. The patents in suit stem from a common parent application: U.S. Patent Application No. 10-382,577. ECF No. 40 at 4.

approach") and a Paice technology-based Ford Escape hybrid SUV ("Paice-based approach"). *Id.* ¶ 61. Paice's objective was to prove that its technology and design were significantly better than the Toyota Prius-based approach. *Id.*

On July 30, 2001, Paice submitted its results. *Id.* ¶ 65. Despite the advantages of the Paice-based approach, on August 3, 2001, Nimphie informed Paice that Ford was committed to the Prius-based approach. *Id.* ¶ 69.

In April 2003, Paice's founder, Dr. Severinsky, attended the New York auto show where he saw the debut of the advanced prototype Ford Escape hybrid. *Id.* ¶ 86. Based on its fuel economy, Severinsky concluded that Ford had used Paice's method of control. *Id.*<sup>4</sup> Severinsky contacted Dr. Gerhard Schmidt, Vice President of Ford Research, to emphasize Ford's need for a second generation hybrid vehicle. *Id.* ¶ 88.

Between November 2003 and February 2004, Paice met and corresponded with Ford engineers and managers. *Id.* ¶ 92. At Ford's request, Paice prepared a summary of its personnel, engineering business relationships, and availability of Paice technology and support. *Id.* Paice informed Ford that it was

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<sup>4</sup> Severinsky also concluded that the second generation Toyota Prius on display had incorporated Paice technology. *Id.* ¶ 87. Between 1999 and 2004, Ford had collaborated with Toyota on hybrid vehicle technology. *Id.* ¶ 25. In June 2004, Paice sued Toyota for infringing three of its patents. *Id.* ¶ 27. On December 20, 2005, the case resulted in a jury verdict for Paice on one of the patents. *Id.*

willing to share its technology through a licensing arrangement. *Id.* ¶ 93. On April 6, 2004, Ford informed Paice that it would not be pursuing Paice-based technology and would continue to refine the Ford Escape using the Prius-based approach. *Id.* ¶ 96.

In May 2010, Paice sued Ford for infringing its '970 patent. *Id.* ¶ 100. On July 15, 2010, the parties entered into a licensing agreement covering the '970 patent. *Id.* The parties were unable to resolve Ford's alleged infringement of other patents, including the patents in suit. *Id.* Instead, on July 8, 2010, the parties entered into an arbitration and litigation standstill agreement ("Arbitration Agreement" or "Agreement"). *Id.*; ECF No. 44-2.<sup>5</sup> The purpose of the Arbitration Agreement was to [REDACTED]

[REDACTED]  
[REDACTED] ECF No. 44-2 (preamble).<sup>6</sup> The Agreement

<sup>5</sup> The Arbitration Agreement should be "Construed as Jointly Prepared." ECF No. 44-2 ¶ 4.11.

<sup>6</sup> Paice Executive Chairman, Frances M. Keenan, stated that "[t]he primary purpose of the Arbitration Agreement was to . . . prevent, or at the very least limit, future patent litigation." ECF No. 44-3 ¶ 8 (hereinafter, "Keenan Declaration"). Because of Paice's limited resources and protracted (but successful) litigation against Toyota, Paice wanted to "limit[] any additional litigation with Ford to the extent possible." *Id.*

provided for a standstill of reexamination petitions until January 1, 2013 and a standstill of litigation until January 1, 2014. ECF No. 44-2 ¶¶ 2.1, 2.2.

The Arbitration Agreement stated that "[n]inety (90) days prior to the initiation of any Legal Action, the parties agree to provide written notice to the other Party of their intention to bring an assertion of rights, hereinafter 'Assertion Notice.'" *Id.* ¶ 2.3.<sup>7</sup> The Arbitration Agreement further stated that "[e]ach party may not issue more than [REDACTED] Assertion Notices during the term of this Agreement. [REDACTED]

[REDACTED]

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[REDACTED]

Ford submitted the declaration of Thomas A. Lewry, Esquire. ECF No. 48-1 (hereinafter, "Lewry Declaration"). Lewry stated

[REDACTED]

*Id.*

<sup>7</sup>

[REDACTED]

[REDACTED]

[REDACTED]

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